

**Testimony of**

**The United Illuminating Company**

**Re:**

**Raised House Bill No. 6507  
AN ACT CONCERNING REDUCING AND STABILIZING ELECTRIC RATES FOR  
RESIDENTIAL AND BUSINESS CUSTOMERS**

**Before the Energy & Technology Committee**

**Legislative Office Building  
February 24, 2009**

Good afternoon, Senator Fonfara, Representative Nardello and members of the Energy and Technology Committee. My name is Alan Trotta, and I am the Manager of Wholesale Power Contracts for The United Illuminating Company (UI). In that capacity I manage all aspects of the power procurement process for UI's Standard Service and Last Resort Service customers.

Raised House Bill No. 6507(the Bill) introduces two changes intended to provide better prices and price stability for electric customers in the state. First, the Bill phases out retail choice for customers with a demand of less than 500 kW. Second, the Bill provides additional regulated procurement options for large customers with a demand of 500 kW or greater.

UI supports the Bill, and believes that the changes proposed will provide significant benefits for Connecticut's energy consumers, particularly when paired with the portfolio management approach to power procurement introduced in Raised House Bill No. 6512.

**1. The procurement policies that were enacted to support retail choice for small customers have resulted in more costs than benefits for customers.**

The phase-out of retail choice for small customers contemplated by the Bill is a very reasonable policy decision for the legislature to take given the mountain of information that has surfaced in the last year. Numerous highly credible studies, including some presented here at the Connecticut legislature, have demonstrated quite conclusively that the policies supporting retail restructuring have led to higher prices in restructured states than in states that did not restructure.

A phase-out of retail choice for small customers would allow the electric distribution companies (EDCs) to take a more long term approach to power procurement, which would result in better price stability, and more cost-based pricing. Such an approach would also make the integrated resource planning (IRP) efforts more meaningful, because the IRP would be more likely to result in actionable long-term procurement decisions.

Absent the phase-out of retail choice for small customers, the portfolio management approach to power procurement introduced in Raised House Bill No. 6512 would still provide benefits, but a more short-term oriented approach to portfolio management would be necessary to avoid stranded costs. The most significant benefit for customers would arise from both bills being passed.

**2. Large customers could benefit from enhanced procurement options.**

Currently, large customers in Connecticut who do not wish to purchase their power from the competitive market are left with Last Resort Service, a short term product that is subject to short term market price volatility. The additional options in the Bill will allow each large customer to decide between various EDC offered pricing options depending

on its individual needs. The Bill also allows the EDCs and large customers to work together to develop customized offerings that best meet the customers' needs. Since these large customers are generally large employers in the state, the additional options are good for the state's economy.

Thank you for this opportunity to testify. I would be happy to answer any questions that you may have.